

Message Text

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PAGE 01 PORT O 02342 272152Z

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ACTION EB-11

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E.O. 11652: N/A

TAGS: EFIN EAIR TD XL

SUBJECT: CIVAIR: TRINIDAD UNRECEPTIVE TO PROPOSED PURCHASE
OF LIAT BY REGIONAL GOVERNMENTS

REF: BRIDGETOWN 1627 AND PREVIOUS (NOTAL)

SUMMARY

GOTT ISSUED PUBLIC STATE SEPTEMBER 27 SERIOUSLY CRITICIZING
PROPOSED PURCHASE OF LIAT'S ASSETS BY REGIONAL GOVERNMENTS,
QUESTIONING WHERE THE OTHER GOVERNMENTS COULD OBTAIN NEEDED
FINANCING (AND CLEARLY IMPLYING IT WOULD NOT COME FROM THE
GOTT). STATEMENT ALSO IMPLIED THAT GOTT WILL NOT FORGIVE
US\$2.5 MILLION DEBT OWED BY LIAT, WHICH HAS BEEN ASSUMED BY
TEXACO AGAINST GOTT GUARANTEE. GOTT SCORNE PROPOSED
PARTICIPATION (AND MANAGEMENT) BY AIR CANADA, AND
SUGGESTED INSTEAD THAT NEEDED FEEDER AIR SERVICEX COULD
BE PROVIDED IN ASSOCIATION WITH AN EXISTING REGIONAL
CARRIER (READ BWIA), ESPECIALLY IF FINANCIAL ASSISTANCE
IS DESIRED FROM TRINIDAD. END SUMMARY.

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PAGE 02 PORT O 02342 272152Z

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1. GOTT STATEMENT WAS DELIVERED BY MINISTER OF INDUSTRY AND COMMERCE ERROL MAHABIR (WHO IS ALSO ACTING MINISTER OF FINANCE) AT OPENING OF PARLIAMENT SEPTEMBER 27. IT BRIEFLY REVIEWED LIAT'S RECENT AND TROUBLED HISTORY, AND THEN RAISED ELEVEN TOUGH QUESTIONS WHICH THE MINISTER SAID THAT CABINET HAD DRAFTED TO BE ANSWERED BY THE OTHER GOVERNMENTS BEFORE THE GOTT WOULD CONSIDER PARTICIPATION IN THE ESTABLISHMENT OF A NEW AIRLINE. THE GOTT-OWNED BRITISH WEST INDIAN AIRWAYS (BWIA) USED TO OWN 75 PERCENT OF LIAT'S SHARES, AND WHEN DISCUSSING THE 1971 SALE OF THESE SHARES TO COURT LINE, MAHABIR SAID THAT GOTT HAD ACCEPTED EIGHT SEPARATE PROMISSORY NOTES TOTALLING US\$2.5 MILLION, THE FULL AMOUNT OF WHICH IS STILL OUTSTANDING. THESE NOTES, THE MINISTER SAID, WERE ASSUMED BY TEXACO AND THE GOTT HAD GUARANTEED THEIR PAYMENT.

2. MOST OF THE ELEVEN QUESTIONS RAISED IN THE GOTT STATEMENT DEAL WITH FINANCING. THE GOTT ASKED HOW CAN THE ASSOCIATED STATES, MONTSEERRAT AND GRENADA RAISE FUNDS TO PAY FOR THEIR SHARE OF THE CAPITALIZATION OF THE NEW AIRLINE, IN VIEW OF (A) FACT THAT GRENADA IS NOW RECEIVING FINANCIAL ASSISTANCE FROM GOTT TO MEET RECURRENT EXPENDITURE; (B) FOUR OF THE OTHER STATES HAVE ASKED THE GOTT FOR SIMILAR ASSISTANCE; (C) THE SAME STATES HAVE ALSO ASKED THAT THE GOTT'S PROPOSED CONTRIBUTION TO THEIR COUNTERPART REQUIREMENTS FOR CDB LOANS BE USED INSTEAD TO MEET RECURRENT EXPENSES; AND (D) THE FACT THAT THESE STATES ARE ALREADY IN DEFICIT IN THEIR CONTRIBUTIONS TO THE UNIVERSITY OF THE WEST INDIES AND THE REGIONAL SHIPPING SERVICE.

3. OTHER FINANCIAL QUESTIONS IN THE GOTT STATEMENT INCLUDE THE PROBLEM OF LIAT'S CURRENT DEBTS (INCLUDING GOTT-GUARANTEED DEBT TO TEXACO), HOW DO THE STATES PLAN TO FINANCE THE OPERATING DEFICIT EXPECTED OVER THE COMING YEARS, AND HOW CAN THE STATES IN FACT PROVIDE THE GUARANTEES ENVISIONED IN THE COMMUNIQUE ISSUED AT THE ANTIGUA MEETING (REFTEL). GOTT ALSO ASKES HOW

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PAGE 03 PORT O 02342 272152Z

THE GOVERNMENTS EVER HOPE TO MAKE A SMALL REGIONAL AIRLINE FEASIBLE IN LIGHT OF RISING FUEL COSTS, THE DECLINE IN THE GROWTH RATE OF TOURISM IN THE CARIBBENA, AND THE SEVERE PROBLEMS NOW FACED BY MANY MUCH STRONGER AIRLINES (PANAM WAS THE MINISTER'S EXAMPLE). MAHABIR ALSO QUESTIONED IF THE CONDITIONS OF THE ANTIGUA COMMUNIQUE ARE IN KEEPING WITH THE TERMS OF REFERENCE SET BY THE CDB, AND ASKED IF ANY ANALYSIS HAD BEEN MADE OF LIAT'S OVERHEAD COSTS AND LEVEL OF EMPLOYMENT.

4. THE GOTT STATEMENT ACERBICLY NOTED "IF THE CARIBBEAN MUST BE AFFLICTED WITH YET ANOTHER AIR CARRIER, WHY SHOULD IT BE FINANCED BY TRINIDAD AND TOBAGO TAXPAYERS," WHO HAVE ALREADY BORNE BWIA'S DEFICITS OVER A LONG PERIOD OF TIME. THE STATEMENT ALSO ASKES IF THERE IS ANY REASON FOR AIR CANADA INVOLVEMENT IN THE FIRST PLACE, SAYING THAT COMPETITION FROM THAT AIRLINE HAD BEEN ONE OF THE REASONS WHY LIAT HAD LOST MONEY IN THE DAYS IT WAS 75 PERCENT OWNED BY BWIA. FINALLY (AND PREDICTABLY) THE STATEMENT ASKED IF THE OTHER GOVERNMENTS HAD REALLY INVESTIGATED IF THE NEEDED REGIONAL SERVICES COULD NOT BE PROVIDED BY ARRANGEMENT WITH AN EXISTING REGIONAL CARRIER (CITING THE EXAMPLE OF THE BWIA-ASSISTED TRINIDAD AND TOBAGO AIR SERVICES LTD., RECENTLY FORMED TO SERVE THE ISLAND OF TOBAGO).
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5. COMMENT: FROM THE TENOR OF THESE QUESTIONS, IT DOES NOT APPEAR THAT THE GOTT IS EAGER TO COLLABORATE IN THE ESTABLISHMENT OF AN INDEPENDENT SUCCESSOR AIRLINE TO LIAT, NOR IS IT ANXIOUS TO SEE GOTT-PROVIDED FINANCIAL ASSISTANCE USED FOR THIS PURPOSE. THE OPEN ANTAGONISM EXPRESSED TOWARD AIR CANADA REFLECTS PRIME MINISTER WILLIAMS' LONG-HELD VIEW THAT BWIA WOULD HAVE BECOME THE REGIONAL AIR CARRIER WERE IT NOT FOR AIR CANADA'S INTEREST IN AIR JAMAICA. GIVEN THIS SOUR RECEPTION, IT IS DIFFICULT TO SEE HOW THE ANTIGUA COMMUNIQUE CAN PROVIDE A BASIS TO KEEP LIAT GOING BEYOND SEPTEMBER 30, UNLESS FURTHER EMERGENCY ASSISTANCE IS FORTHCOMING FROM THE U.K. OR OTHER SOURCES.
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